

Message Text

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ACTION OPIC-06

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PASS OPIC

E. O. 11652: N/A
TAGS: EINV, KE
SUBJ: OPIC INSURANCE COVERAGE FOR KENYA FIBER CORP. LTD.

REF: STATE 119815, OPIC FORM 50 DATED MAY 26, 1977

1. EMB APPRECIATES BACKGROUND INFORMATION ON PANAMA-NASSAU TRUST CO. SINCE OPIC HAS COMPLETED OR HAS ACCESS TO COMPREHENSIVE REPORTS ON THE ECONOMIC VIABILITY OF KENYA FIBER CO. PROJECT, WE WILL DIRECT OUR PRELIMINARY COMMENTS TO QUESTION OF KFC'S VULNERABILITY TO POLITICAL RISKS COVERED BY OPIC'S INSURANCE PROGRAM.

2. ALTHOUGH MORE DETAILED ASSESSMENT OF PROJECT CAN BE PREPARED AFTER REVIEWING CHEMTEX'S FORMAL APPLICATION, WE FEEL CERTAIN ISSUES DESERVE SOME CLARIFICATION:

A. TERMS OF PANAMA-NASSAU LOAN, I.E. MATURITY, INTEREST RATES, GRACE PERIOD, PROVISION FOR RE-SCHEDULING IF NECESSARY;

B. COMPOSITION OF FINAL FINANCING PACKAGE, PARTICULARLY SIZE AND SOURCES OF LOAN CAPITAL AFTER EXIMBANK WITHDRAWAL;

C. NATURE AND COMPUTATION OF MANAGEMENT FEES, ROYALTIES,
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TECHNICAL PAYMENTS DUE PANAMA-NASSAU/CHEMTEX IN ADDITION TO DEBT SERVICE AND DIVIDENDS.

3. SINCE BOTH PROJECT DESIGN AND FINANCING HAVE CHANGED OVER LAST YEAR, WE CAUTION OPIC TO CONFIRM LATEST VERSION WITH CHEMTEX. ACCORDING TO VISITING CHEMTEX OFFICIAL, AS OF MAY 31, OFFSHORE CREDITS MAY NOT YET BE FINALIZED.

LARGE SIZE OF PANAMA-NASSAU LOAN, IN PARTICULAR, RAISES QUESTION WHETHER SUPPLIERS' CREDITS OTHER THAN EXIM'S ARE NOW UNAVAILABLE.

4. WE AGREE WITH OPIC THAT CHEMTEX SHOULD BE REQUESTED TO PROVIDE PROOF THAT DOK IS AWARE OF CHEMTEX/PANAMA-NASSAU CONNECTION. ALTHOUGH THIS SITUATION SHOULD NOT AFFECT GOK GUARANTEES ON DEBT SERVICING, GOVERNMENT'S "NEW PROJECTS COMMITTEE" WOULD UNDOUBTEDLY WANT TO EXAMINE CREDENTIALS OF GOK'S PARTNERS IN THIS ENTERPRISE.

5. WE STRONGLY RECOMMEND, TOO, THAT PANAMA-NASSAU OBTAIN "LETTER OF APPROVED STATUS" FROM KENYAN CENTRAL BANK IN ADDITION TO CERTIFICATE OF APPROVED ENTERPRISE ALREADY ISSUED. THIS FORMER DOCUMENT CONFIRMS THAT KENYA FIBER COMPANY REQUESTS TO REMIT LOAN AND INTEREST PAYMENTS OVERSEAS WILL BE HONORED BY BANK'S FOREIGN EXCHANGE OFFICE. SUCH DOCUMENTATION IS ESPECIALLY IMPORTANT IN VIEW OF UNUSUALLY LARGE SIZE OF PANAMA-NASSAU'S LOAN.

6. GOK HAS EXPRESSED FAVORABLE INTEREST IN PROGRESS OF KENYA FIBER COMPANY PLANS, PARTICULARLY FINANCE MINISTER KIBAKI, WHO RECENTLY RE-AFFIRMED TO PREVIOUS AMBASSADOR HIS MINISTRY'S COMMITMENT TO PROJECT DESPITE EXIMBANK'S CREDIT DENIAL. AS OPIC AWARE, GOK AND PARASTATAL DEVELOPMENT BANK AGREED TO TAKE SIXTY PERCENT OF FIRM'S EQUITY.

7. IN CONCLUSION, ON BASIS OF CURRENT INFORMATION EMB HAS NO OBJECTIONS TO ISSUANCE OF POLITICAL RISK INSURANCE TO LIMITED OFFICIAL USE

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CHEMTEX AND PANAMA-NASSAU, PROVIDED OPIC IS SATISFIED WITH COMMERCIAL SOUNDNESS OF PROJECT AND REPUTATION OF INVESTORS. WE WOULD, THOUGH, LIKE TO HAVE THE OPPORTUNITY TO EVALUATE CHEMTEX'S REPLIES TO QUESTIONS RAISED IN PARA 2 ABOVE.

DECONTROL 6/2/78.
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